



STATE OF MICHIGAN

**Family  
Independence  
Agency**

## Memo

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To: **Jim Nye, Deputy Director**  
**Field Services Administration**

Date: **April 29, 2003**

From: **Rita Barker, Director**  
**Office of Internal Audit**

Subject: **Audit of Strong Families/Safe Children**  
**October 1, 2001 through September 30, 2002**  
**Audit #2002-189**

The Office of Internal Audit performed an audit of Strong Families/Safe Children expenditures and monitoring processes at four local offices for the period October 1, 2001 through September 30, 2002. The four offices selected for review were Wayne, Oakland, Kent and Ionia/Montcalm. The FY2002 Strong Families/ Safe Children budget for these counties totaled \$4,821,255. We reviewed the FY2002 Service Plan to determine if the types of services contracted for were fulfilling the Plan requirements. We also reviewed the monitoring process the counties had in place, and performed limited testing of the contractors' documentation to support their billings.

Each local office entered into contracts or agreements with agencies in the community to provide Healthy Start, Adoptive Family Support Network, Early Impact, Wraparound and Family Support, Preservation, and Reunification services to customers. Our audit included an on site review of 14 of the contractors. Thirteen of the 14 contractors billed based on the actual cost reimbursement method and one contractor billed based on units of service provided. The contractors maintained case files to document services provided to clients enrolled in the program.

We found in all instances that the Strong Families/Safe Children coordinators are not making yearly on-site visits to the community agencies to ensure that costs billed are properly recorded and supported.

In addition, we reviewed one contract that had a budget line item for personnel charges, but the contract did not specify what could be included in personnel charges (i.e. salaries, fringe benefits, and what types of fringe benefits). Also, one contract included fringe benefits as allowable, but didn't indicate what types of fringe benefits.

Our limited review of the records of the 14 contractors disclosed the following:

1. Contractors billed for expenses that were not allowable under the contract. Examples include salaries being billed at 100% instead of the percentage allowed under the contract, food /snack items, unallowable travel expense, credit card interest and fees.
2. One contractor billed contracted employees under the Salaries line item.
3. One contractor billed Communication expenses under the Supplies line item.
4. One contractor billed for car insurance, car washes and lease payments under the Local Transportation line item, although the contract specified that mileage was the only allowable cost.
5. One contractor's source documents did not support the amounts billed; and Salaries and Fringes were overbilled, and Contractual Services were underbilled.
6. One contractor billed based on the unit rate billing method, although the contract called for billings to be based on the line item reimbursement method.
7. One contractor had no billing reports to support amounts paid to one of their subcontractors.

Based on our audit of the Strong Families/ Safe Children Program we found that the local/district offices needed to improve monitoring of contractors by conducting on-site visits to determine if the contractors had systems in place to verify that costs are properly reported, recorded and billed. For most of the contractors we found adequate client case records to support the provision of services.

Our findings related to each individual local or district office have been shared with the appropriate office, along with our recommendations for corrective action.

Please contact me if you have any questions regarding this audit.

c D. Weatherspoon  
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